

Message Text

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ACTION EB-07

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FM AMEMBASSY VIENNA

TO SECSTATE WASHDC PRIORITY 4417

C O N F I D E N T I A L VIENNA 10498

FROM AMBASSADOR

EO 11652: NGDS

TAGS: ENRG, OPEC, AU

SUBJ: AMBASSADOR' DECEMBER 18 TALK WITH KHENE; OPEC AND
OTHER SUBJECTS DISCISS

REF : STATE 276731

1. FOLLOWING ARE HIGHLIGHTS OF MY CONVERSATION WITH DR. KHENE
AT LUNCHEON YESTERDAY.

2. REGARDING PRICING DECISION ANNOUNCED IN DECEMBER 13 OPEC
COMMUNIQUE KHENE SAI THERE WAS ADMITTEDLY DIFFICULTY IN HOLD-
ING LINE AMONG ALL OPEC MEMBERS AND SINGLE \$10.12. PRICE,
WHICH CORRECTLY STTED AS AVERAGE, APPEARED REALISTIC. OF
COURSE, KHENE ADDED, GOVERNMENT TAKE IN INDIVIDUAL CASES WOULD
OE HIGHER OR LOWER DEPENDING ON DIFFERING CONDITIONS IN THE
VARIOUS COUNTRIES. KHENE THOUGHT THAT PRODUCING COMPANY PROFITS
WOULD PROBABLY BE ELIMINATED SHORTLY BY 100 PERCENT TAKEOVERS AS
IN SAUDI ARABIA.; THOSE INTERNATIONAL COMPANIES CONTINUING TO
OFFER EXPLORATION, PRODUCTION AND MARKETING SERVICES WOILD BE
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COMPENSATED EITHER BY DIRECT DOLLAR PAYMENTS OR BY REDUCTIONS IN

DELIVERY COSTS, AN MINIMUM QUANTITIES OF OIL WOULD BE GUARANTEED TO THESE COMPANIES THT CONTINUE TO HELP OPEC MEMBERS IN THOSE AREA .

3. TO MY QUESTION KHENE SAID THAT NO SPECIAL PRICES FOR DEVELOPING COUNTRIES WERE CONTEMPLATED. ANY AID TO DC'S WOULD BE DIRECT, NOT IN FORM ON PRICE REDUCTIONS. I MENTIONED HAVING RECENTLY READ THAT VENEZUELA WOULD OFFER OIL TO CENTRAL AMERICAN STATES AT DISCOUNT PRICES. KHENE HADN'S HEARD THIS AND INDICATED THIS TYPE ON UNILATERAL DECISION WOULD BE VERY DISRUPTIVE TO OPEC POLICIES AND EMBARRASSING TO OTHER MEMBER STTES. HE ALSO GAVE IMPRESSION IT WAS HARD FOR OPEC TO KEEP MEMBER COUNTRIES IN LINE ON PRICES.

4. KHENE SAID HE SAW VENEZUELA'S MINISTER HERNANDEZ (WHO KHENE NOTED WAS ELECTED NEW OPEC PRESIDENT AND WHOM KHENE HIGHLY ESTEEMS) ONLY ONCE DURING LAST WEEK'S MINISTERIAL CONFERENCE. APPARENTLY HERNANDET ATTENDED ONE SESSION AND WAS NOTEVEN AROUND AT MEETINGS AGAIN. HERNANEZ WAS FORMERLY AMBASSDOR TO VIENNA. I PERSONALLY HAVE GREAT RESPECT FOR HIM.

5. KHENE CONFIRMED THAT OPEC FOREIGN AND OIL MINISTERS WOULD MEET JANUARY 24 IN ALGIERS. HE SAID NEW OPEC SECRETARY GENERAL FEYIDE WOULD NOT TAKE OVER SECRETARIAT UNTIL AFTER THE ALGIERS MEETING. FOLLOWING KHENE'S DEPARTUE FROM OPEC AN VIENNA IN AY OR SO HEAD OF OPEC'S AMINISTRATIVE DEPARTMENT (MOHAMMED SAID AIT CHAALAL) WOULD BE ACTING SECGEN UNTIL CHIEF FEYIDE ASSUMES CHARGE. (KHENE INDICATE HE HIMSELF WOULD PROBABLY RETURN TO VIENNA ABOUT FIRST OF YEAR.)

6. KHENE CONFIRMED THAT OPEC IS INTERESTED IN EMPLOYING A PUBLIC RELATION ADVISORY FIRM. I MENTIONED THAT REARS DIGEST WAS MOST INTRESTED IN TAKING ON THIS JOB AND THAT I UNDERSTOOD MR. PANITZA, SENIOR OVERSEAS OFFICER OF THE IGE T HAD TALCED TO KHENE AND WOULD LICE TO CONTINUE DIALOGIE BUT DI NOT KNOW WITH WHOM TO TALK FURTHER AT THIS TIME. KHENE SAID PANITZA SHOULD SEE HEAD OPEC ADMINISTRATION DEPARTMENT PREFERABLY BEFORE END ON YEAR. (DEPARTMENT ASKED TO PASS MESSAGE TO READERS DIGEST PRESIDENT, HOBART LEWIS, WHO, IT WILL B RECALLED, WAS ONE ON FOUR REPRESENTATIVES OF PRESIDENT AT PR IDENT JONAS' FUNERAL.)

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7. KHENE HADNOT READ JOINT MARTINIQUE COMMUNIQUE SO I SUMMARIZED IT FOR HIM.HE APPEARED PARTICULARLY IMPRESSED BY AGREEMENT OF THE TWO PR IDENTs TO TRY CONTROL ENERGY CONSUMPTION. (AS DEPT AWARE, KHENE IN HIS SPEECHES HAS CONTINUALLY STRESSED NEED FOR OIL CONSERVATION.)

8. KHENE WAS MUCH INTERESTED IN SECRETARY SIMON'S WALL STREET

BACKGROUND, AND I CONFIRMED HIS IMPRESSION THAT SECRETARY A SELF-MADE AND HIGHLY SUCCESSFUL INVESTMENT ONKER. KHENE AL O DISPLAYE KEEN INTEREST IN 1976 U.S. PRESIDENTIAL RACE, AND I GATHERED THIS A SUBJECT OF GREAT INTEREST ALRE Y AMONG OPEC PEOPLE.

9. I TOLD KHENE THAT U.S. HAS ALREAY CUT OIL CONSUMPTION BY ABOUT 10 PERCENT AND THAT SIMON SHOOTING FOR ANOTHER 15 PERCENT CUTBACK FROM PRESENT LEVEL. HE WAS CHAGRINED THAT SECRETARY SIMON SEEMED TO THINK THAT CONSUMING COUNTRIES' REDUCED PURCHASES WOULD TEND TO REDUCE OIL PRICES. NO TRUTH TO THIS, HE SAI.

10. I MENTIONED TO KHENE U.S. SUPPORT OF HIS UNIO CANDIDACY AND HE EXPRESSED EXTREME APPRECIATION.

11. WE DISCUSSED NEAR EAST SITUATION BRIEFLY, AND KHENE REMARKED IT WAS UNTHINKABLE THAT STATE OF ISRAEL WOULD CONTINUE TO EXIST OVER LONG TER, BUT HE THOUGHT ONE REASON IT WOULD EXIST FOR SOME TIME LONGER WAS IT SUPPORT OY USSR. THE RUSSIANS HAVE TOLD US, HE SAID, THAT THEY ARE COMMITTE TO SUPPORT ISRAEL'S EXISTENCE SINCE ISRAELI PROBLEM GIVES USSR ONLY POSSIBILITY OF GAINING A FOOTHOLD IN ARAB WORLD; OTHERWISE, THE ARABS WOULDN'T PAY NY ATTENTION TO THEM. RELIGIOIS DISPARITY IS TOO GREAT.

12. WE TOUCHED ON THE VALUE-ADDED-TAX PROBLEM, AND I ASKED VAT STATUSOF OPEC MISSION. KHENE SAID OPEC STFFERS HAD TO PAY VAT. I TOLD HIM THAT OPEC'S SUPPORT OF DIPLOMATIC CORPS IN VAT "BATTLE" WOULD BE ENORMOUSLY HELPFUL AND ENCOURAGED HIM TO COMMUNICATE THIS SENTIMENT TO THIS OPEC COLLEAGUES BEFORE HE LEAVES SECRET-ARIAT. I POINTED OUT THIS WOLD ALSO HELP ARAB MISSIONS HERE.

13. I MENTIONED CHAIRMAN BILL CASEY' PLANNED TRIP TO AUSTRIA.
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HE INDICATED GREAT INTEREST IN SEEING HIM IF POSSIBL. I SHALL BE IN TOUCH WITH CASEY AN TRY TO RRANGE MEETING IF CHAIRMAN CONCURS. PLEASE CHECK THIS WITH CHAIRMAN CASEY.

14. DEPARTMENT DISTRIBUTE AS DESIRED. HUMES

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